

MULTIMEDIA



UNIVERSITY

STUDENT IDENTIFICATION NO

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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2015/2016

BBF2064 – ISLAMIC BANKING AND FINANCE

(All sections / Groups)

5 MARCH 2016

9.00 a.m – 11.00 a.m

(2 Hours)

INSTRUCTIONS TO STUDENT

1. This Question paper consists of 3 pages with 4 Questions only.
2. PART A: Answer ALL questions (COMPULSORY).
PART B: Attempt ANY TWO questions only.
The distribution of the marks for each question is given.
3. Please write all your answers in the Answer Booklet provided.

PART A: Answer ALL questions (COMPULSORY)**QUESTION 1****Case Study**

SS Asset Management placed RM10million with RST Islamic Bank for three (3) months. Profit is to be paid upon maturity at a rate of KLIBOR (assuming three months KLIBOR is 0.35%, profit rate is 0.60%)

- Value Date: 20 December 2010
 - Maturity Date: 19 March 2011
 - Repayment Amount: RM 10,015,000
1. SS Asset Management will appoint RST Islamic Bank as an agent to purchase on a cash and spot basis RM10million worth of MME (Malaysia Metal Exchange) metal warrants (also known as commodity) from Broker A.
 2. Broker A will receive RM10million.
 3. SS Asset Management then sells the commodity that has been purchased earlier to the RST Islamic Bank at RM10million with an additional profit margin via deferred payment. In this step, the bank will assume the liability (the cost price of the commodity plus profit margin). This additional profit margin along with principal will be credited to SS Asset Management banking account upon maturity. For example, RM10million (cost) plus 0.60% profit margin for a duration of three months: $RM10million + (0.60\% \times 3/12 \times RM10million) = RM10,015,000$.
 4. After receiving the commodity, RST Islamic Bank then sells the commodity on spot basis to another broker in the MME (Broker B).
 5. RST Islamic Bank then receives cash of RM10million on spot from Broker B.

(Source: International Shari'ah Research Academy for Islamic Finance, 2011)

- A. Based on steps (1) to (3) in the case study, answer the following questions:
- i) What type of exchanged-based contract that has been used as financial instruments by Islamic bank? (5 Marks)
 - ii) Explain briefly on the concept used. Please provide diagram and at least one (1) example. (10 Marks)
- B. Based on steps (4) and (5) in the case study, answer the following questions:
- i) What type of exchanged-based contract that has been used as financial instruments by Islamic bank? (5 Marks)
 - ii) Explain briefly on the concept used. Please provide diagram and at least one (1) example. (10 Marks)
- C. Istisna' and Salam contract can be applied in the banking business as a mode of financing. Explain briefly in what way is Istisna' different from Salam? (20 Marks)
- (Total: 50 Marks)

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PART B: Answer ANY TWO questions only.**QUESTION 1**

- A. Explain briefly on the operating structures and components of the Islamic banking and finance industry. (15 Marks)
- B. Critically discuss three (3) major prohibited elements in commercial transactions under the Shari'ah. (10 Marks)
- (Total: 25 marks)

QUESTION 2

- A. Despite the rise of Takaful industries in the global market, the system perhaps needs a long journey to compete against the modern insurance industries, especially to achieve the sustainable market size. Elaborate on the four (4) models use in Takaful. (10 Marks)
- B. Anas Investment Company has a collection of assets that are being used in its business. It needs more liquidity and wishes to raise additional funds of up to RM150 million. The company approaches you for expert advice on how to raise the funds through the primary market. Therefore, you need to advise the company on:
- i) What are the relevant structures that should be created in order to realize the funds?
 - ii) How to issue *sukuk* to subscribers?
 - iii) What are the methods of payments that the company should apply on the *sukuk* holders? (15 Marks)
- (Total: 25 marks)

QUESTION 3

- A. Treasury department occupies a central position in the operation of any Islamic banks. Discuss in detail the main responsibilities that the treasury department plays in managing the funds. Explain the effect on the Islamic banks should the treasury department fails to properly execute its duties. (10 Marks)
- B. IIFH invests RM1, 000,000 with Ai Islamic Bank for 30 days. Profit sharing ratio is negotiated at 75:25. Based on the prevailing gross profit rate during transaction which is 5.5%, IIFH is expected to receive net profit of 4.125%. However, upon maturity of the investment, Ai Islamic Bank's effective gross profit rate has increases to 6%. Therefore, calculate:
- i) Profit payable to provider of fund (5 marks)
 - ii) IIFH expected net profit (5 marks)

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- C. Given a Malaysian Islamic Treasury Bill has a face value of RM4, 000,000 and is currently being sold at a discount of 5.5% with 30 days to maturity. What is the price?

(5 marks)

(Total: 25 marks)

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